



**Date:** October 30, 2008  
**To:** City Manager for Council Action  
**From:** John C. Roukema, Director of Electric Utility  
**Subject:** Approval of Northern California Power Agency Amendment No. 1 to the Second Phase Agreement for Funding the Planning and Development Activities of the Lodi Energy Center

### **EXECUTIVE SUMMARY:**

On January 8, 2008, Council authorized the City Manager to execute the original Northern California Power Agency (NCPA) Agreement funding the planning and development activities of the Lodi Energy Center to examine feasibility of development, pursuant to which the City committed to a 50MW interest in the 255 MW Lodi Energy Center (LEC). On September 26, 2008, the NCPA Commission approved Amendment No.1 (Amendment) to this Agreement. This Amendment provides for the advanced ordering of critical power island equipment such as natural gas turbines, steam turbines, and heat recovery steam generator components, and the leasing of needed warehouse facilities at or near the project site to house and protect this equipment. In light of the recent rapid escalation of construction and equipment costs, these steps will reduce uncertainty and lock in an earlier, lower cost delivery of equipment. The Amendment authorizes a Phase 2B budget increase of up to \$15 million to complete these steps. This will be offset in the future by a commensurate decrease to the construction phase of the LEC project. The Amendment was passed by the Project Participants Committee (PPC) by a vote of 7-0, with 5 abstaining. A copy of Amendment No. 1 to the Lodi Energy Center agreement is available for review in the Council Offices.

For this Amendment to become effective, all Project Participants must receive approval from their governing bodies. With a project member participation percentage of 19.608%, Silicon Valley Power's share of the \$15 million Phase 2B budget increase is \$2,941,176. After the Project Participants have approved this budget increase, the Project Manager and the NCPA CFO will recommend an invoicing schedule.

### **ADVANTAGES AND DISADVANTAGES OF ISSUE:**

The Lodi Energy Center will help the City fill the projected 100 to 150 MW of base-load generation it needs in the next decade. With the recent increases in construction and equipment costs, along with the long lead times needed for the fabrication and delivery of critical power island equipment, this Amendment will help to control future costs and ensure timely completion of the project.

If the City Council does not approve of its share of this proposed Phase 2B budget increase, NCPA may terminate the provisions of the Phase 2 Agreement insofar as they entitle the City to its share of the project output.

### **ECONOMIC/FISCAL IMPACT:**

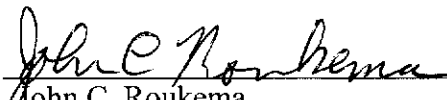
Approval of LEC Amendment No. 1 authorizes up to a \$2,941,176 increase in Silicon Valley Power's share of the LEC Phase 2B budget. Expenditures ultimately made are subject to the approval and direction of the PPC. Such increase is proposed to be funded using a portion of the City's share of

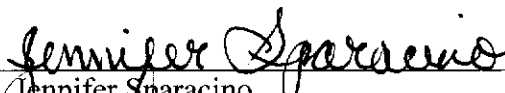
NCPA's operating reserve. Further, this amount is expected to be reimbursed from the proceeds of the bond issue that will be issued to fund the construction of LEC. Further, incurrence of this cost now will be offset in the future by a commensurate cost reduction during the construction phase of the Project, given successful plant licensing and the further commitment by Silicon Valley Power to participate in Project financing and construction. In the event that the LEC is not ultimately financed and constructed, monies paid now to secure equipment pricing and availability and to lease needed warehouse and administration facilities may not be recoverable. If all or any portion of such expenditures are recovered, Silicon Valley Power will receive its proportionate share of such recovered funds.

**RECOMMENDATION:**

That Council approve, and authorize the City Manager to execute, the Northern California Power Agency Amendment No.1 to Second Phase Agreement for Funding the Planning and Development Activities of the Lodi Energy Center.

APPROVED:

  
\_\_\_\_\_  
John C. Roukema  
Director of Electric Utility

  
\_\_\_\_\_  
Jennifer Sparacino  
City Manager

***Documents Related to this Report:***

- 1) NCPA Amendment No. 1 to Second Phase Agreement for Funding the Planning and Development Activities of the Lodi Energy Center***

**CITY OF SANTA CLARA**  
**AGENDA MATERIAL ROUTE SHEET**

Council Date: November 18, 2008

**SUBJECT:** Approval of the Northern California Power Agency Amendment No. 1 to the Second Phase Agreement for Funding the Planning and Development Activities of the Lodi Energy Center

**CERTIFICATION**

The proposed Amendment No. 1 the Northern California Power Agency Second Phase Agreement  
Regarding: Funding the Planning and Development Activities of the Lodi Energy Center  
has been reviewed and is hereby certified.

**PUBLICATION REQUIRED:**

The attached Notice/Resolution/Ordinance is to be published \_\_\_\_ time(s) at least \_\_\_\_ days before the scheduled meeting/public hearing/bid opening/etc., which is scheduled for \_\_\_\_\_, 2008.

**AUTHORITY SOURCE FOR PUBLICATION REQUIREMENT:**

**Federal Codes:**

Title \_\_\_\_\_ U.S.C. § \_\_\_\_\_  
(Titles run 1 through 50)

**California Codes:**

Code \_\_\_\_\_ § \_\_\_\_\_  
(i.e., Government, Street and Highway, Public Resources)

**Federal Regulations:**

Title \_\_\_\_\_ C.F.R. § \_\_\_\_\_  
(Titles run 1 through 50)

**California Regulations:**

Title \_\_\_\_\_ California Code of Regulations § \_\_\_\_\_  
(Titles run 1 through 28)

**City**

City Charter § \_\_\_\_\_ (i.e., 1310. Public Works Contracts. Notice published at least once at least ten days before bid opening)

City Code § \_\_\_\_\_

1. As to City Functions, by
2. As to Legality, by
3. As to Environmental  
Impact Requirements, by
4. As to Substance, by

John C. Monkenma  
Department Head

Helene Leichter  
City Attorney's Office/CAO Assignment No. 08. 1507

\_\_\_\_\_  
Director of Planning and Inspection

J. Sparano  
City Manager

Revision Date: June 7, 2005